

Legislative Analysis



TRANSIT REGIONALIZATION GRANTS AMENDMENT TO PUBLIC ACT 51 OF 1951

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House Bill 4965

Sponsor: Rep. Wayne Schmidt

Committee: Transportation

Complete to 11-18-09

A SUMMARY OF HOUSE BILL 4965 AS INTRODUCED 5-19-09

BRIEF SUMMARY:

The Comprehensive Transportation Fund (CTF) is a state-restricted fund established under Section 10b of 1951 PA 51 for public transportation purposes. Approximately two-thirds of CTF revenue comes from the Michigan Transportation Fund, and approximately one-third from an earmark of auto-related sales tax. Section 10e of Act 51 establishes the priority order for the appropriation of CTF revenue.

House Bill 4965 would amend Section 10e to provide for a new Transit Regionalization Grant Program to be funded from CTF appropriations.

The new grant program would be established in Section 10e(4)(c) – after the appropriation of CTF revenue for bond payments, administration, local bus operating assistance, intercity passenger/freight, specialized services, local bus capital, local bus new service, municipal credit, and public transit development.

The program would be used to fund grants to metropolitan planning organizations to develop and carry out a "transit regionalization work program" and to oversee progress in implementing the work program. The work program would consist of developing a definition of the applicable "transit regionalization area" for the region, and in the development of an "action plan for enhanced coordination within the region," which in other references in the bill, is called an "enhanced coordination action plan."

DETAILED SUMMARY: (Specific new terms are highlighted)

Transit Regionalization Grants/Work Program

The bill directs the Michigan Department of Transportation to make grants to metropolitan planning organizations to develop and carry out a transit regionalization work program and oversee progress in implementing the work program.

It also requires the department to approve the work program and an implementation schedule for each grant and establishes following requirements for the work program.

Transit regionalization area

The bill requires that for each urban transit agency within a metropolitan planning organization, the metropolitan planning organization work with the agency to define a transit regionalization area. The proposed definition would be subject to review and comment by all public transportation providers within the transit regionalization region as well as public review and comment. The metropolitan planning organization and urban transit agencies within the transit regionalization area would be required to submit the definition and rationale to the department. The bill would allow the department to request additional rationale, and would allow the metropolitan planning organization and urban transit agency to submit revised definitions to the department as needed.

Enhanced coordination action plan

The bill would require the metropolitan planning organization to assist all public transportation providers within the transit region in developing objectives and a draft action plan for enhanced coordination within the region. The bill would permit the action plan to propose to enhance coordination through creation of a single regional authority, or through coordination of existing systems. The bill requires that an enhanced coordination action plan include all of the following:

- (1) Measurable objectives for enhanced coordination that provides for system-to-system transportation.*
- (2) Issues that will need to be addressed to achieve the objectives and assignment of specific tasks the metropolitan planning organization and each transit agency will complete to address each issue.*
- (3) A list of the decisions, including organizational decisions, capital investments, and service levels, each provider makes on a regular basis and that should be made with the enhanced coordination objectives as a primary factor.*
- (4) Benchmarks for evaluating if progress in implementing the action plan is being made.*

Timelines

The bill sets certain time requirements for submission of the coordinated action plans to the department:

"For each grant, the department shall establish a date by which the enhanced coordination action plan shall be submitted to the department. The department shall review the action plan and may require revisions."

Annual Meeting

The bill requires an annual meeting of metropolitan planning organizations and transit providers within the region *"to move the action plan forward and assess progress."* The bill also requires that following the meeting, each public transportation provider submit a written report to the department that demonstrates how the organizational, funding, and

capital investment decisions the provider has made in the past year are in support of the **enhanced coordination action plan**. The bill permits the department to issue report guidelines.

The bill requires the department to review the report and to provide a written response to the [transit] provider and the metropolitan planning organization indicating *"if the provider has made sufficient progress, in particular if the provider has demonstrated that its decisions have been consistent with achieving the objectives of enhanced coordination laid out in the action plan."*

Deadlines

The bill provides for certain deadlines for submission of grant applications for regional transit **work programs**:

"Within 2 years after passage of the amendatory act that added this sub-subparagraph, if an urban transit agency's metropolitan planning organization has not made application for a grant under this program, the department shall grant funds to the urban transit agency to prepare and implement a transit regionalization work program and oversee progress in implementing the work program. Within 2 years of receiving a grant, the urban transit agency shall prepare a work program as described in this section in order to remain eligible to receive state operating assistance under subsection (4)(a)."

Penalties

The bill provides for penalties if the department determines that for two years in a row, the transit provider has made insufficient progress in achieving the objectives of the **enhanced coordination action plan**. In that case, the provider would be ineligible to receive state capital assistance to match federal grants. The bill indicates that the provider would remain ineligible for two years following the second year the department makes its determination.

Definitions

"Metropolitan planning organization" means the policy board of an organization created and designated by the Governor to carry out the metropolitan transportation planning process pursuant to 23 USC 134 and 49 USC 5303.

"Public transportation provider" means an agency or authority receiving state operating assistance under subsection (4)(a).

"Transit regionalization area" means the geographic area the metropolitan planning organization determines requires enhanced coordination among the existing public transportation providers because there is a greater than normal need for transit riders to transfer from one existing transit system to another existing transit system to meet their daily transportation needs and/or because there are significant organization efficiencies for coordination among the transit systems. A transit regionalization area may be a single county or all or portions of multiple counties.

"Urban transit agency" means an agency or authority receiving state operating assistance under subsection (4)(a) and with a service area with a population of 200,000 or more.

FISCAL IMPACT:

CTF Revenue Sources

The CTF receives an Act 51 earmark of Michigan Transportation Fund revenue, as provided in Act 51, and an earmark of a portion of sales tax on auto-related products under the Sales Tax Act. Total CTF revenue is estimated to be \$255 million in FY 2009-10. The largest appropriation of CTF revenue is for local bus operating assistance, \$166.6 million in FY 2009-10.

The bill establishes a new transit regionalization grant program; the bill directs the Michigan Department of Transportation to make grants, from the CTF, to metropolitan planning organizations (MPOs) to develop and carry out a new **transit regionalization work program** and oversee progress in implementing the **work program**. It is not clear how much these grants would be. It is our understanding that there are 14 metropolitan planning organizations in Michigan, not counting the Toledo MPO that includes part of Michigan's Monroe County in its planning area.

The appropriation of CTF revenue for the new program would come from either a reduction in appropriations for current CTF-funded programs or through additional CTF revenue, although no source of additional revenue has been identified in the bill. We note that Section 10e (4)(c)(ii) currently requires an appropriation of not less than \$8.0 million from the CTF for bus capital, as either matching funds for federal aid or for 100% state-funded capital projects. The bus capital appropriation in the FY 2009-10 budget was only \$5.2 million due to declining CTF revenue.

The bill imposes additional program responsibilities on the Michigan Department of Transportation. It is not clear how much the additional responsibilities would cost or whether they could be accomplished at current funding levels.

Note on Section 10e:

Subsections (6) through (12) of Section 10e currently define a process for the development by local public transportation agencies and intercity providers of "local public transportation programs," and the development by the department of its "transportation program." Section 9 requires the department to submit the transportation program to the State Transportation Commission by April 1 of each year. Even though Section 10e deals with the appropriation of funds from the CTF, Subsection 9 also indicates that the submission to the State Transportation Commission would include "the programs for the expenditure of the *State Trunkline Fund* as they may have been supplemented, amended or modified since their original filing." Subsection 10 requires specific State Transportation Commission approval, by May 1 of each year, of the department's proposed "transportation program."

These requirements appear to be incongruous and anachronistic. They do not appear to conform to the federal planning requirements or to the department's current process of developing a rolling Five-Year Plan required by appropriation boilerplate. In addition, the State Transportation Commission does not appear to have constitutional authority to approve or disapprove specific department projects or programs.

In a September 2003 audit of the Bureau of Planning (OAG 59-150-01), the Office of Auditor General recommended that the department request that the legislature amend PA 51 of 1951 to make state planning and reporting requirements consistent with federal requirements. This recommendation had been made in a prior OAG audit.

The requirements of Section 10h of Act 51 are similarly inconsistent with current department practice and other state and federal requirements. Section 10h requires that the State Transportation Commission report by May 1 of each year to the Legislature, the Governor, and the Auditor General on its recommendations act for the transportation program approved under Section 10e (10).

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.